# 2010 Fourth Quarter and Full Year Preliminary Results

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**Speakers:**

Paolo Scaroni - CEO
Alessandro Bernini - CFO

**Paolo Scaroni**

Good afternoon ladies and gentlemen,

Welcome to our fourth quarter and full-year preliminary results conference call.

2010 has been a very good year. We have delivered outstanding operational achievements, and laid the foundations for our future growth.

In E&P, a particularly strong fourth quarter led to full-year production of 1,815 kboe/d, 1,1% higher than in 2009. This growth was driven by the timely delivery of all 12 of our planned start ups, which contributed 40 kboe/d of new production in 2010 and will account for 230kboe/d of production at peak.

We also made excellent progress on our key projects. We count Zubair in Iraq as a major success, having been the first IOC to reach production growth targets. In Venezuela, we established the JV with PDVSA to develop the giant Junin 5 field, and further increased gas in place at our giant Perla discovery. In Angola we have sanctioned the West Hub of Block 15/06 and recorded significant exploration successes.

In fact, new discoveries have been one of the highlights of the year; exploration successes in Indonesia and Brazil, on top of those in Venezuela and Angola, allowed us to add almost one billion boe of new resources overall, at a very competitive cost of 1.5$/boe.

We are also very excited about the new countries and plays we have entered in 2010. We added acreage in Togo and the DR of Congo, and gained unconventional gas exposure in Poland and China.

Turning now to G&P, we have faced unusual market conditions, due to oversupply and the gap between oil-linked and spot gas prices. We are tackling this new context through contract renegotiations with our suppliers. The revision with the Libyan NOC has been delivered successfully, and we are now well on track with negotiations with Sonatrach and Gazprom.

In R&M, despite depressed refining margins, we substantially improved the division’s performance, more than halving losses compared to 2009. This improvement has been achieved thanks to efficiency. Sandro will now take you through the fourth quarter results.

**Alessandro Bernini**

Good afternoon Ladies and Gentlemen, and welcome to our fourth quarter results presentation.

In the fourth quarter of 2010, the macro environment was positive compared to the same period of last year. The Brent price averaged 86 dollars a barrel, up 16% compared to the fourth quarter of 2009.

The average European refining margin Brent/Ural was 3.78 $/bbl. While it remained depressed compared to historical trends, it was higher than in the corresponding period of last year.

Finally, the euro depreciated by 8% versus the US dollar compared to the corresponding period last year.

Moving to our results, adjusted operating profit in the fourth quarter amounted to 4.7 billion euro, up 28% year-on-year. This result mainly reflects the stronger contribution of the Exploration & Production and the Refining & Marketing divisions, partially offset by lower results in Gas & Power.

Adjusted net profit for the fourth quarter was 1.7 billion euro, up 24% year on year. This result reflects improved operating performance, partially offset by a slightly higher adjusted tax rate (up by 2 percentage points).

The adjusted tax rate for the full year 2010 was of 54.4%, up slightly from last year's 53.6%.

In the fourth quarter of 2010, Eni's reported oil and natural gas production reached the record level of 1,954 kboe/d. When excluding the effect of the updated gas conversion rate, production increased by 2% compared to the fourth quarter of 2009.

Our performance in the quarter was positively impacted by the contribution of ramp ups and start-ups of the 12 projects we launched in 2010, especially Zubair.

The new production was partly offset by declines of mature fields in the North Sea and the Gulf of Mexico, as well as by lower entitlements from our PSA contracts. Production entitlements in the fourth quarter include revisions in some countries of North and West Africa in line with similar amounts in Q4 2009.

Fourth quarter adjusted operating profit amounted to 4 billion euro, up 44% compared to the fourth quarter of 2009. This was mainly the result of higher volumes, higher oil and gas realised prices in dollars, and of the positive impact of the depreciation of the euro over the dollar.

In terms of reserves, we replaced 125% of our production. At constant prices, we delivered reserve replacement ratio of 135%, maintaining the life index of our reserves **above 10 years**.

These results compare well with last year's performance of 96% at constant prices, and confirm the solidity of our upstream portfolio.

In Gas & Power, overall gas volumes sold, including consolidated and associated companies, totalled 27.2bcm, up around 2.5% year on year. However, adjusted operating profit decreased by 31% compared to the same period of 2009, in line with our guidance.

G&P adjusted pro-forma Ebitda for the fourth quarter of 2010 was 921 million euro, compared to 1.2 billion euro in the fourth quarter of 2009.

International Transportation results showed a 16% decrease, mainly due to the accident which occurred to Transitgas in July.

The Regulated businesses generated 389 million euro, up 7% versus the corresponding period of last year. The increase mainly reflects the recognition of new investments in tariffs, as well as the remuneration of fuel gas costs, the higher volumes transported and the synergies achieved from the integration of Italgas and Stogit.

Adjusted pro-forma Ebitda in the Marketing business was negatively impacted by increasing competitive pressure in Italy and Europe, due to oversupply and sluggish demand, resulting in price reductions to customers.

Margins were also penalised by persisting differentials between oil-linked gas prices and spot prices, which have become a reference for customers.

These negatives were partially offset by the renegotiation of certain long term supply contracts as well as by portfolio optimization.

Turning now to R&M, in the fourth quarter of 2010 the division reported an adjusted operating loss of 39 million euro, up 80% compared to the same period of last year.

This improvement is primarily due to a better scenario for Eni's complex refineries, which benefited from a larger differential between light and heavy crudes, the wider spread between gasoline and gasoil spread and higher utilization rates (up 13 percentage points year-on-year.)

Refining also benefited from improved efficiency, the synergic integration of refineries and optimization of supply.

Marketing was affected by a rapid rise in the cost of distillates that could not be immediately transferred to final prices, and by lower retail sales in Italy. These negatives were partly offset by higher sales on European networks.

In the fourth quarter of 2010, the Petrochemical business reported an adjusted operating loss of 74 million euro, compared to a loss of 104 million euro in the fourth quarter of 2009. This improvement was driven by higher volumes, partially offset by higher feedstock costs.

Saipem delivered adjusted operating profits of 378 million euro, up 33% versus Q4 2009.

Other Activities and Corporate showed an aggregate loss of 129 million euro, compared to a loss of 151 million euro in the fourth quarter of 2009. This improvement reflects the ongoing cost cutting program.

Net cash from operations amounted to 14.7 billion euro for the full year. Working capital benefited from optimization measures for around 1.3 billion euro, compensated by cash outflows associated with pre-payments under take-or-pay contracts of 1.2 billion euro.

Proceeds from divestments, including non-strategic upstream assets, 51% of SeverEnergia and 25% of the GreenStream pipeline, amounted to 1.1 billion euro. Total cash inflows therefore amounted to 15.8 billion euro.

Cash outflows referred to capital expenditure of 13.9 billion euro and dividend payments of 4.1 billion euro, which included the payment of the interim dividend 2010.

Net financial debt, as at the end of December, amounted to 26.1 billion euro, resulting in a debt/equity ratio of 0.47, essentially unchanged compared to the previous year.

Planned pipeline disposals for a total of around 1.5 billion euro, expected in the first half of 2011, will contribute to reduce year-end leverage.

Thank you for your attention and now I will hand you over to Paolo for his final remarks.

**Paolo Scaroni**

Thank you Sandro. And now our outlook for 2011.

Our upstream production will grow to around 1830 kboe/d at our 70 $/bl brent scenario, confirming the growth profile set out last year. Ramp-ups and start-ups will deliver around 90 kboe/d of new production.

In Gas & Power, regulated businesses will perform well. Our marketing activities will continue to face oversupply and a gap between oil-linked and spot gas prices. We expect to close the renegotiation of supply contracts with Sonatrach and Gazprom by year end. These renegotiations will have a material impact on 2011 results, and provide the basis for a more competitive marketing strategy in Europe and in Italy.

Our gas sales will benefit from our position in key European markets. In Italy we have invested heavily in our retail customer service, aiming to strengthen our position in this robust market segment.

In R&M, refining margins will remain weak. We will continue to improve the division’s results through further efficiency.

Consolidated capex will remain broadly in line with 2010, and will be mainly focused on the development of our new major projects. These will continue to fuel Eni’s growth in the future – a theme which we will discuss further in our Strategy Presentation next month.

We will now be pleased to answer your questions.